

# Energy Weekly

Apr 18, 2011

## CRUDE OIL:

### Technical Recommendation:

Exchange	S3	S2	S1	R1	R2	R3
Jun- Crude oil - Nymex (\$/bbl)	97.3	101.3	105.5	113.6	117.6	121.8
May- Crude oil - Apr (Rs/bbl)	4446	4601	4754	5062	5217	5370
Nymex crude oil (Jun)	Trading Range: \$106-111					
MCX Crude oil (May)	Trading Range: 4770-4950					

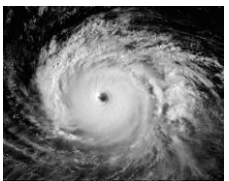
### Last week's Price Movement

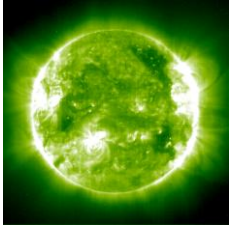
Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX WTI Crude (\$/bbl)	May	113.28	113.46	105.31	109.66	-2.78%	1953302	40.74%	67548	-73%
	Jun	113.74	114.05	105.98	110.22	-2.78%	1056314	74.60%	328247	48%
ICE Brent Crude (\$/bbl)	May	126.58	127.02	120	122.36	-3.39%	524408	-37.33%	42806	-62%
	Jun	126.24	126.47	119.54	123.45	-2.12%	1102718	53.43%	250780	-1%
MCX WTI Crude	April	5021	5021	4688	4852	-3.54%	758550	26.78%	9884	-43%
	May	5050	5063	4755	4908	-3.52%	88130	153.90%	6689.00	74%

**Review:** Oil prices fell for the second time in last two months of time. Higher radiation in Japan, lower equity market and inflationary concern of China again pressurized oil prices to trade at lower levels of \$105.31/ bbl in NYMEX platform. April contract closed at \$109.66/ bbl by losing near three percent whereas MCX traded May contract closed at Rs.4852 / bbl with a falloff more than 3.5% in the last week.

In the beginning of the week, oil prices traded on a bearish pattern on the back of falling equity market basically. Radiation level in Japan reached the level of 1986 Chernobyl disaster, which made Global equity market depressed in beginning of the last week. Other than this, crude oil prices took negative cues from the news of Gaddafi's peace plan acceptance. However, that statement was not confirmed publicly. From economic front, trade balance of China increased in the month of March. Economic growth of China also climbed up supported by higher industrial production and higher consumer price index. Increasing import price index of the US also pulled oil prices. Crude oil import price index climbed up by 9% in March, which made prices to fall by three percent. Trade deficit of US widened to \$45.8B, lower than prior month but higher than expectation in February month.

As per American Petroleum Institute, stocks level in Cushing and Oklahoma delivery centre have declined by 107K. On the other hand, as per DOE, crude oil inventory have increased





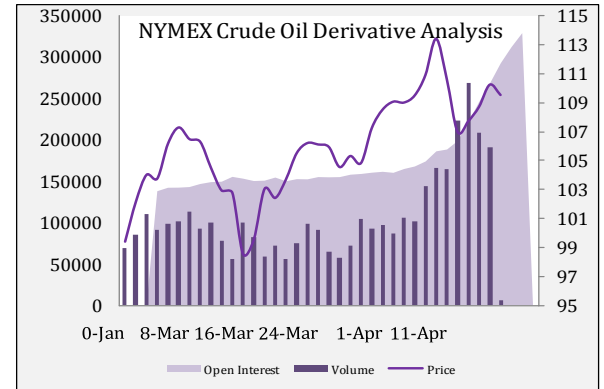
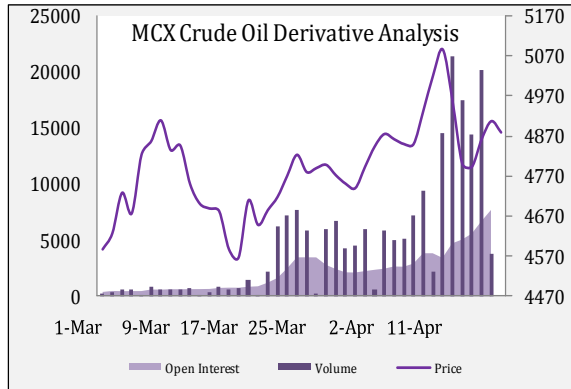
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slightly, whereas Gasoline and Distillates have declined heavily. Currently, distillates stocks stands at 150839 barrels in the last week.

In comparison to prior week, prices have declined more in the last week whereas volume has increased more along with open interest in MCX traded April contract.

## Derivative Analysis of Crude Oil Future Contracts

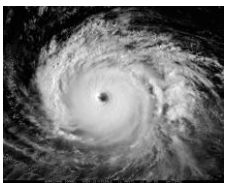


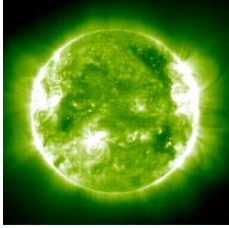
## US Crude Oil Inventory

DOE Warehouse Stocks ('000 barrels)			
Commodity	Latest week	Previous week	Change
Crude Oil	359291	357664	1627
Gasoline	209679	216679	-7000
Distillate	150839	153520	-2681
Refinery utilization (%)	81.4	84.4	-3
EIA Working gas storage (Bcf)			
Natural gas	1607	1579	28

### Outlook

In the coming week, we are expecting crude oil futures to trade on positive trend on account of falling inventory levels and expectation of better economic releases. MENA region rebels are still there, which may support prices to go forward. As per US energy department, refinery utilization has declined by three percent in the last week, which have lead gasoline and distillates stocks to fall. So, declining inventory levels may support oil prices to trade on higher side. However actual inventory report must eye. On economic front, Building permits, Housing starts and existing home sales all are likely to improve. From the Euro zone, PMI manufacturing, services and composites are also expected to be positive although the lingering debt crisis and an accelerated inflation might hurt consumers' confidence. The same set of releases in terms of PMI from Germany may also be contemplating. There are no such data releases are expected from the China and Japan. Overall, US releases seem to be fair enough for the economy. Housing sector may rebound although concern remains over the US cut down in spending. Except the inflation concern, Euro zone and German releases are fair enough





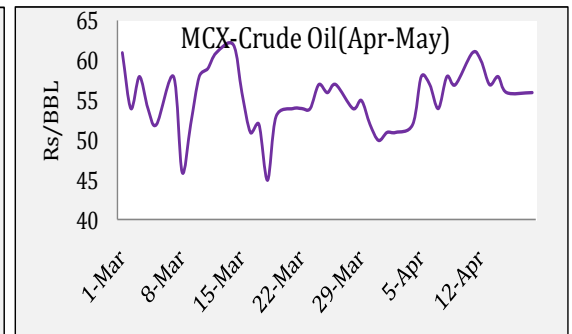
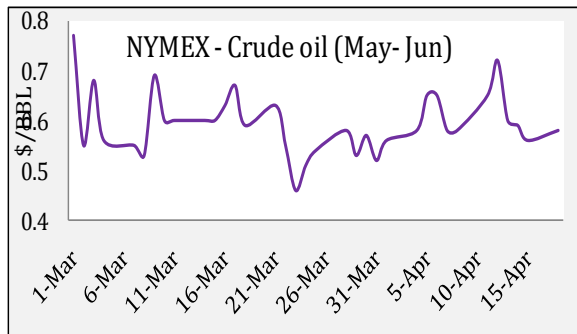
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## Facts to watch out:

- API Inventory data releases on Wednesday 2:00 A.M. IST
- DOE Inventory data releases on Wednesday 8:00 P.M. IST

## Calendar spread

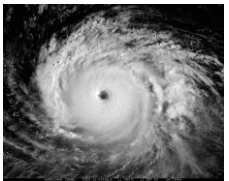


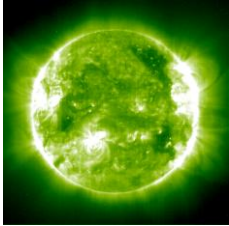
Average spread between April and May contract stands at Rs.56, which is higher than prior week average. The Spread climbed to a high of 70 and low of 52. However, in international market spread between May and June has increased from 0.65 to 0.58 in the last week. So, we are expecting this may reflect in India market and the spread may fall down in the coming week.

## Technical analysis:

**CRUDE Oil NYMEX:** May Crude oil prices traded lower on last week by reversing the previous trend. It made a high of \$113.46 then low of \$105.31 and settled at \$109.66 levels. It was down by 2.78% on last week. Closing of the candle renders indecisive movements for the coming week. Prices have breached the key Trend Line support at 107 levels and unable to sustain below. Only on sustained trade below may escort the prices to lower side. The principle of Fibonacci Retracement states that prices are witnessing support at 104.60 levels which is 38.2% retracement of the range 90.27-113.46 levels. On sustained trade above is likely to trade higher. In case market breaches below 104.60 levels may expect limited gains. The "Moving Average" principle suggesting upside movements as prices after witnessing support of 8 weeks EMA at 105.50 levels and trading well above the medium term EMA's of (21&34) weeks. The momentum indicator weekly RSI-14 is trading at 0.688 levels and suggesting indecisiveness movements.

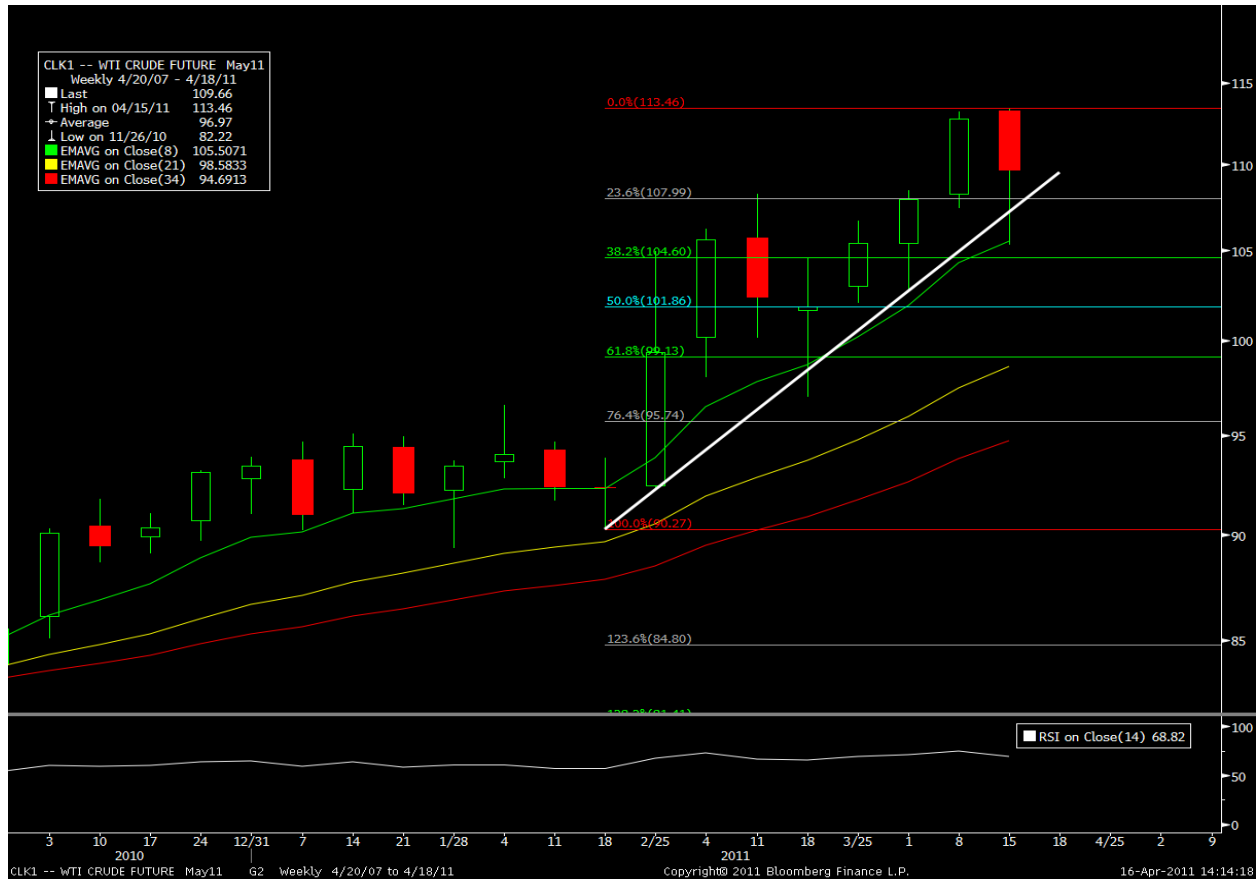
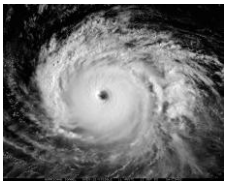
**Conclusion:** We expect prices to remain higher if markets sustains above the levels of 104.5.





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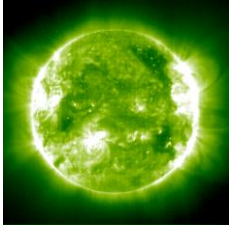
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## Natural Gas

Technical Recommendation: -

Exchange	S3	S2	S1	R1	R2	R3
<b>NYMEX Natural Gas (\$/MMBtu)</b>	3.771	3.881	4.042	4.313	4.423	4.584
<b>MCX Natural Gas (Rs./MMBtu)</b>	167.9	173.0	180.2	192.5	197.6	204.8
<b>NYMEX Natural Gas(May)</b>	Buy at \$4.12 TP \$4.28, \$4.35 SL \$4.00					
<b>MCX Natural Gas(April)</b>	Buy at Rs. 182-183 TP 192 SL below 178					



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## Last week's Price Movement

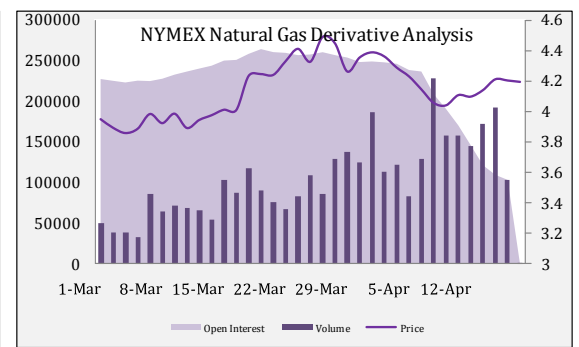
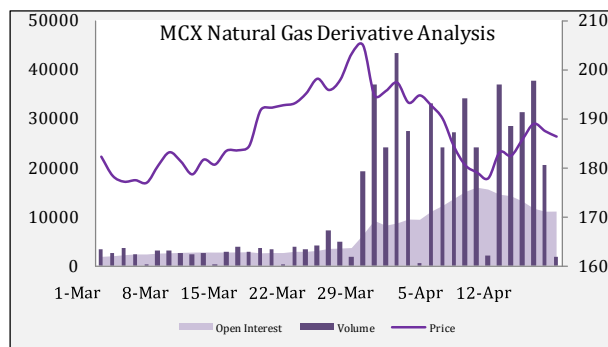
Exchange	Contract	Open	High	Low	Last	% Change	Volume	% Change	Open Interest	% Change
NYMEX (\$/MMBtu)	May	4.02	4.26	3.99	4.20	4.03	770560	6.752	103568	-45.74
	Jun	4.09	4.32	4.06	4.26	3.82	348755	42.10	139253	31.68
MCX (Rs/MMBtu)	April	178	190	178	188	5.40	154976	7.00	11091	-29.11
	May	209	211	194	200	5.09	13310	33.13	2452	62.32

## Review

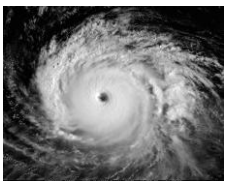
Gas futures prices recovered from prior two week's of loss in the last week. Natural gas futures prices opened on a positive note in the last week and closed with a gain of more than four percent in NYMEXM on weekly basis. April contract closed at Rs.188/ MMBTU after gaining near 6%. However, NYMEX traded oil futures closed at \$4.03/ MMBTU after making a high of \$4.26. Volume has been increased, whereas fall in open interest is seen May futures contract in NYMEX electronic platform. However, increase in both volume and open interest is seen in MCX platform. Appreciating currencies have also pressurized gas futures prices to trade on lower side.

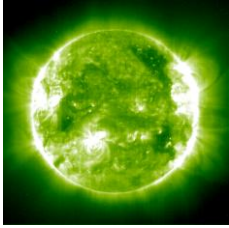
Gas futures prices traded on positive trend on account of lower gas storage, as reported by US energy department. In the last week, working gas storage declined by twenty five billion cubic feet, less than market expectation. Higher radiation levels Japan, might have supported gas prices on expectation of increasing uses of Natural gas. On the other side, milder weather condition in US has also pressurized gas prices.

## Derivative Analysis of Natural Gas Future Contracts



In the coming week, we are expecting Gas prices to trade on higher side on the back of falling inventory levels. On the other hand, economic releases from the major economy are likely to come positive for the economy, which may support gas prices. However, bearish sentiment in the market is likely to have negative impact on gas prices. So, we may expect gas futures to trade on positive side in the coming week.

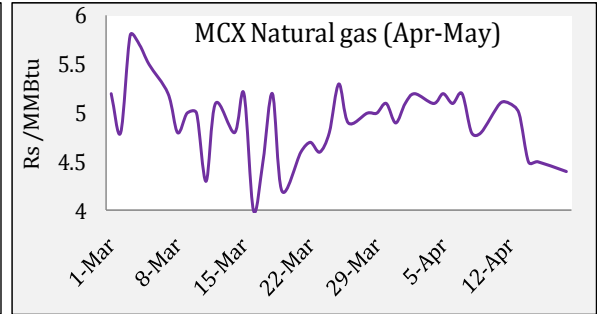
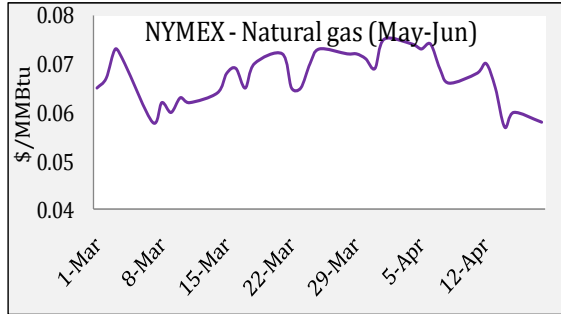




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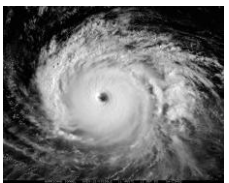
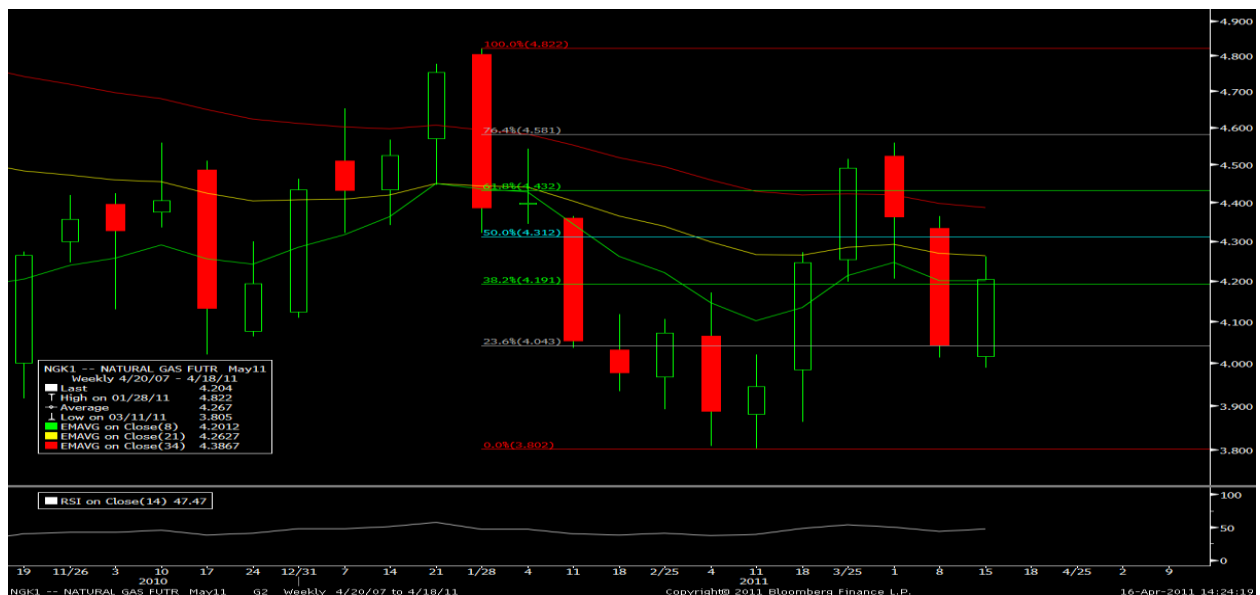
## Calendar spread

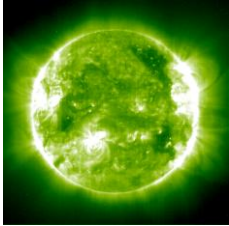


## Technical analysis:

Natural gas future prices traded higher on last week by reversing the previous trend. It made a low of \$3.990 levels then high of \$4.261 before settling higher at \$4.204 levels. It was up by as much as 4.00% on last week. Closing of the weekly candle renders indecisive movements for the coming week. Prices are witnessing key support at 4.000 levels (previous swing lows). On sustained trade above is likely to remain higher. The principle of Fibonacci Retracement states that prices are witnessing crucial support at 4.000 levels which is 23.6% retracement of the range 3.805-4.822 levels. On sustained trade above would lead the prices to remain higher. The momentum indicator weekly RSI-14 is trading at 0.474 levels and suggesting indecisiveness for prices.

**Conclusion:** We expect prices to trade higher if markets sustains above 4.000 levels.



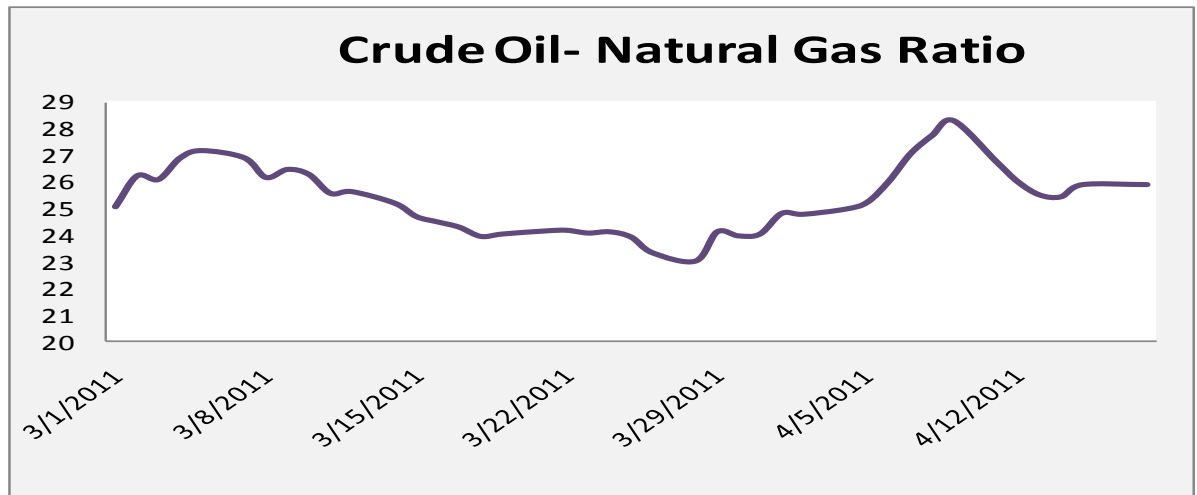


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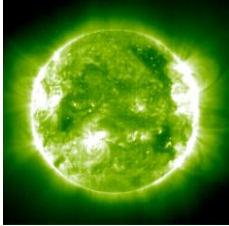
## Crude Oil –Natural Gas Ratio

This week ratio between crude oil and Natural gas stands at 26. Fall in crude oil prices made ratio to decline in the last week. However, in the coming week we may expect ratio to fall more from its level as Natural gas price may spike up more than crude oil prices.



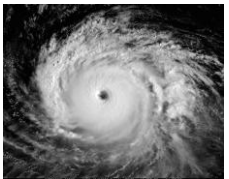
## MAJOR ECONOMIC RELEASES IN THE COMING WEEK

Date Time	Region	Event		Survey	Prior
04/18/2011 19:30	EC	Euro-Zone Consumer Confidence	APR A	-11	-10.6
04/18/2011 19:30	US	NAHB Housing Market Index	APR	17	17
04/19/2011 13:00	GE	PMI Manufacturing	APR A	60.1	60.9
04/19/2011 13:00	GE	PMI Services	APR A	59.8	60.1
04/19/2011 13:30	EC	PMI Composite	APR A	57.1	57.6
04/19/2011 13:30	EC	ECB Euro-Zone Current Account SA	FEB	--	-0.7B
04/19/2011 13:30	EC	PMI Manufacturing	APR A	57	57.5
04/19/2011 13:30	EC	PMI Services	APR A	56.9	57.2
04/19/2011 18:00	US	Building Permits MOM%	MAR	1.10%	-8.20%
04/19/2011 18:00	US	Housing Starts MOM%	MAR	9.60%	-22.50%
04/19/2011 18:00	US	Building Permits	MAR	540K	517K



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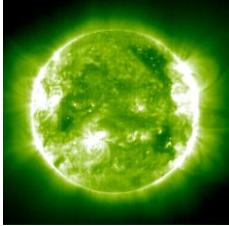


04/19/2011 18:00	US	Housing Starts	MAR	525K	479K
04/20/2011 11:30	GE	Producer Prices (M/M)	MAR	0.80%	0.70%
04/20/2011 11:30	GE	Producer Prices (Y/Y)	MAR	6.60%	6.40%
04/20/2011 16:30	US	MBA Mortgage Applications	15-Apr	--	-6.70%
04/20/2011 19:30	US	Existing Home Sales M/M	MAR	2.50%	-9.60%
04/20/2011 19:30	US	Existing Home Sales	MAR	5.00M	4.88M
04/21/2011 12:00	IN	Food Articles WPI Y/Y	9-Apr	--	8.28%
04/21/2011 12:00	IN	Fuel Power Light WPI Y/Y	9-Apr	--	12.97%
04/21/2011 12:00	IN	Primary Articles WPI Y/Y	9-Apr	--	11.40%
04/21/2011 13:30	GE	IFO - Business Climate	APR	110.6	111.1
04/21/2011 13:30	GE	IFO - Current Assessment	APR	115.5	115.8
04/21/2011 13:30	GE	IFO - Expectations	APR	105.9	106.5
04/21/2011 18:00	US	Initial Jobless Claims	16-Apr	393K	412K
04/21/2011 18:00	US	Continuing Claims	9-Apr	3678K	3680K
04/21/2011 19:30	US	House Price Index M/M	FEB	-0.20%	-0.30%
04/21/2011 19:30	US	Leading Indicators	MAR	0.30%	0.80%
04/21/2011 19:30	US	Philadelphia Fed.	APR	37	43.4

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